

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
Marshall Johnson
Ken Nickolai
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities

ISSUE DATE: November 21, 2003

DOCKET NO. G-007, 011/GR-00-951

ORDER ACCEPTING COMPLIANCE
FILING AS MODIFIED AND REQUIRING
FURTHER FILING

PROCEDURAL HISTORY

On May 12, 2000, Peoples Natural Gas Company (Peoples) and Northern Minnesota Utilities (NMU), then both operating divisions of UtiliCorp United Inc. and now both operating divisions of Aquila, Inc., filed a combined rate case and a request to consolidate the operations and certain aspects of the rate schedules of the two utilities.¹

On July 18, 2000, the Commission issued its Order Accepting Rate Case Filing As Of Future Completion Date,² which identified various deficiencies in the Companies' May 12, 2000 filing and allowed the Companies to refile their case whenever the filing could be made substantially complete. On August 11, 2000, the Companies refiled their general rate case, which the Commission found to be substantially complete and referred to the Office of Administrative Hearings for contested case proceedings.

Three parties filed testimony in the case: the Companies, the Minnesota Department of Commerce, and the "Large Power Intervenors (or LPI) Group," made up of Eveleth Mines, LLC, Hibbing Taconite Joint Venture, Ispat Inland Mining Company, LTV Steel Mining Company, National Steel Pellet Company, Northshore Mining Company, and the Minntac Mine of USX Corporation. On February 8, 2001, these three parties filed a settlement resolving all issues.

¹ *In the Matter of a Petition By Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities*, Docket No. G-007,011/GR-00-517.

² Id.

On May 11, 2001, the Commission issued an Order in which it modified the settlement and accepted it as modified. On May 18, 2001, the Companies filed notice that they rejected the Commission's modification to the settlement's treatment of gas main and service extensions. In the same filing the Companies accepted the Commission's other modifications, requested a contested case hearing on the gas main/service extension issue, and waived their statutory right to put the proposed rates into effect if the Commission failed to issue a final Order in the case within the statutory time line.³ The Companies stated that the gas main/service extension issue was too complex to be tried, briefed, and decided within the remaining statutory time frame.

On April 3, 2003, the Administrative Law Judge assigned to the case returned the file to the Commission, reporting that the parties had reached a settlement encompassing all issues and enclosing the settlement for Commission consideration. On July 29, 2003, the Commission issued an Order accepting and adopting the settlement. That Order required Aquila to make a compliance filing showing final rate and financial schedules, final billing determinants, a revised base cost of gas, new tracker account balances, a new customer bill format, a plan for refunding the difference between interim and final rates, and numerous other compliance details.

On August 28, 2003, Aquila made its compliance filing. On August 29 the Companies made a supplementary filing of rate tables inadvertently omitted from the first filing. On September 29, 2003, the Department of Commerce filed comments recommending accepting the compliance filing with minor adjustments. Discussions between the Companies, the Department, and Commission staff led to further adjustments and modifications in the filing.

On November 6, 2003, the compliance filing came before the Commission. At that time the only remaining contested issue was the adequacy of the new customer bill format proposed by the Companies.

FINDINGS AND CONCLUSIONS

The Commission has examined the compliance filing, the Department's comments, and the modifications and adjustments made by the Companies in response to discussions with Department and Commission staff. The Commission will approve the compliance filing, as adjusted and modified by the Companies, finding it in compliance with the terms of the parties' settlement and the Commission's July 29, 2003 Order.

On the sole contested issue – customer billing format – the Commission will approve the Companies' proposal introduced at hearing as Exhibit H. The Commission finds that the format proposed by the Companies is no less clear than the one proposed by the Department and that the Companies' proposal has cost and customer-familiarity advantages that the Department's proposal lacks.

³ Minn. Stat. § 216B.16, subd. 2 (e).

Finally, the Commission will require the Companies to make a filing within 10 days of the date of this Order containing its final rate schedules and tariffs as modified herein.

The Commission will so order.

ORDER

1. The Commission hereby accepts and approves the Companies' compliance filing, as amended and adjusted in response to discussions with Department of Commerce and Commission staff.
2. The Commission hereby approves the following additional rate schedules based on the tables of proposed charges and margins for Peoples and NMU submitted on August 29, 2003:
 - A. Peoples - Joint Sales Service - Large Joint-Mainline
 - B. Peoples - Transportation Service - Large Joint-Mainline
 - C. NMU - Joint Sales Service - Small Volume Joint-Town Plant
 - D. NMU - Joint Sales Service - Large Volume Joint-Town Plant
 - E. NMU - Interruptible Sales Service - Large Joint-Mainline
3. The Commission hereby clarifies that the rate schedules approved in ordering paragraph 2, which were omitted from the parties' March 31, 2003 stipulation and agreement and the parties' April 11, 2003 corrections to the tables of proposed charges and margins for Peoples and NMU, were not accepted and adopted in the Commission's July 29, 2003 Order.
4. Aquila shall implement final rates for services rendered on and after the authorized effective date.
5. The Commission hereby approves the modification of the parties' settlement to include additional fee revenue of \$25,935 for Peoples and \$4,842 for NMU.
6. Aquila shall correct its Conservation Improvement Program tracker account as of August 2002 by reducing the posted charge of \$328,188.10 by \$38,384.60 to reflect the carrying charge posted backwards.
7. Aquila shall reduce the Conservation Improvement Program carrying charge allowed in the Commission's September 5, 2003 Order, in Docket No. G-011/M-03-853, by \$2,360.39 (from \$54,351.68 to \$51,991.29) to correct the error in the interest calculation caused by the error in recording the 2001 carrying charge and shall correct the amount posted to the tracker account in September 2003.

8. The Commission hereby clarifies that no Conservation Improvement Program carrying charge is allowed as of July 29, 2003, the date the settlement between the parties became effective.
9. The Commission hereby approves the revised Operating Income Summaries for Peoples and NMU as set forth below:

Operating Income Summary

PNG

UTILITY OPERATING REVENUES

Retail Gas Sales	\$119,386,093
Other Operating Revenues	715,000
AFUDC	<u>92,939</u>
Total Operating Revenues	<u>\$120,194,032</u>

UTILITY OPERATING EXPENSES

Purchased Cost of Gas	\$ 79,512,893
Manufactured Gas Production	1,317,387
Transmission	1,019
Distribution	6,766,198
Customer Accounts	4,266,002
Customer Service & Information	1,299,788
Sales	91,995
Administrative & General	9,257,629
Depreciation & Amortization	6,463,852
Taxes Other than Income	<u>4,581,729</u>
Total Operating Expenses	<u>\$113,558,492</u>

Net Operating Income Before Taxes	<u>\$ 6,635,540</u>
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Income Taxes

Federal	\$ 1,025,096
State	<u>318,212</u>
Total Income Taxes	<u>\$ 1,343,308</u>

NET OPERATING INCOME	<u><u>\$ 5,292,232</u></u>
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NMU

UTILITY OPERATING REVENUES

Retail Gas Sales	\$ 39,543,890
Other Operating Revenues	300,000
AFUDC	<u>97,636</u>
Total Operating Revenues	<u>\$ 39,941,526</u>

UTILITY OPERATING EXPENSES

Purchased Cost of Gas	\$ 24,149,549
Manufactured Gas Production	8,417
Distribution	2,198,602
Customer Accounts	1,510,307
Customer Service & Information	370,396
Sales	18,152
Administrative & General	3,089,397
Depreciation & Amortization	2,376,766
Taxes Other than Income	<u>2,339,312</u>
Total Operating Expenses	<u>\$ 36,060,898</u>

Net Operating Income Before Taxes \$ 3,880,628

Income Taxes

Federal	\$ 805,895
State	<u>250,167</u>
Total Income Taxes	<u>\$ 1,056,062</u>

NET OPERATING INCOME \$ 2,824,566

10. The Commission hereby accepts Aquila's proposed revenue apportionments and proposed customer charges and non-gas margins rates as filed.
11. The Commission hereby approves the Companies' proposed tariff, with the exceptions set forth below:
 - A. The Commission approves a modified reference to tariff Sheet Nos. 14c through 14g contained in tariff Sheet No. 15c, Section 9, as stated in Attachment 11 of the February 8, 2001 *Stipulation and Agreement*, and in so doing rejects the Companies' proposed change to this reference.
 - B. On Original Sheet No. 84, Section IX, D, 5. Reconnection at Beginning of Cold Weather Months, Aquila's tariff states: ".....household income is less than 185 percent of the federal poverty level" The correct language for Aquila's tariff is: ".....50 percent of state median income."

- C. On Original Sheet No. 87, Section XIII, Disputes, Subsection G, Escrow Payments, paragraph 7, states: "... shall be supplemented by an interest charge based on the current prime interest rate from the date of payment to the date returned by the Company." The correct language for Aquila's tariff is "shall be supplemented by an 8 percent per annum interest charge from the date of payment to the date returned by the Company."
 - D. The Companies shall delete references to Shipper Services on tariff Sheet Numbers 14h (item 11), 15c (item 11), 18a (item 4, second paragraph) because Aquila no longer offers this service.
 - E. The Companies shall delete references to the Conservation Cost Recovery Adjustment and Resource Adjustment Charge on tariff Sheet Numbers 17 (column C), 18C (items 1 through 6), 19 (column entitled CCRA Factors), 20 (column entitled CCRA Factors), 21 (column entitled CCRA Factors), and 21a (column entitled CCRA Factors) because Aquila is no longer authorized to use a Resource Adjustment Charge.
- 12. The Commission hereby approves Aquila's proposal to delete the old NMU tariff in its entirety and to update the Peoples tariff that was approved during interim rates with the Commission's approved changes, together with the Companies' proposed changes as accepted in ordering paragraph 10 above.
 - 13. Aquila shall file revised tariff sheets consistent with the final Order in Docket No. G-007,011/MR-03-1372 if later found by the Commission to be inconsistent with the Commission's determination of the base cost of gas.
 - 14. Within 10 days of the date of this Order, Aquila shall make a filing including its final rate schedules and tariffs with the corrections described in this Order.
 - 15. The Commission hereby rejects Aquila's proposed customer notice language. Aquila shall file revised language consistent with schedule B, attached to staff briefing papers.
 - 16. The Commission hereby defers any decision regarding the Companies' proposed base cost of gas to Docket No. G-007,011/MR-03-1372.
 - 17. The Commission accepts Aquila's calculation of the CCRC for both Peoples and NMU.
 - 18. Within ten days of the date that final rates go into effect, Aquila shall resubmit the Conservation Improvement Program tracker balance, costs, and revenues for the entire period of interim rates along with the Conservation Improvement Program tracker balance.

19. Aquila shall correct any nonconforming references to its tariffs in its standard customer service agreements and contracts and shall include these corrections in the filing required under ordering paragraph 14.
20. Aquila shall credit existing customer accounts or issue checks to refundable accounts that are no longer customers if the refund amount is greater than \$2, as soon as possible after the implementation of final rates.
21. Aquila shall explain what it proposes to do with refund monies that are not returned to current ratepayers by bill credit or former ratepayers by check.
22. Within 10 days of completing the interim rate refund, Aquila shall file a refund report detailing the amounts refunded in total and by customer class, interest paid in total and by customer class, and the total amount of the refund it was unable to distribute.
23. Aquila – PNG (Peoples) shall make a compliance filing notifying the Commission 30 days in advance of implementing a lower rate for the reduction of manufactured gas plant clean up costs.
24. Aquila shall file a modified exhibit for its tariff book on main and service extension feasibility models, correcting the deficiencies noted below:
 - A. Line 29 - should provide line reference for source of amount;
 - B. Line 33, 34 & 36 - should provide an explanation of what constitutes “extraordinary costs”;
 - C. Line 51 - should include line references such as: Estimated main cost, line 26 + (projected number of residential customers, line 9 x estimated cost per residential services, line 27) + (projected number of C&I customers, line 17 x estimated cost per C&I services, line 28) + customer contribution, line 67;
 - D. Line 54 - should include an explanation of what constitutes “other costs”;
 - E. Line 59 - should explain NPV of what costs and what is the discount rate used;
 - F. Line 63 - should explain what data in the model is used in the calculation;
 - G. Line 67 - should explain how the customer contribution is calculated;
 - H. Line 69 - should explain what is represented by this line, what the source of the numbers is, and to what line the numbers transfer;

- I. Lines 89, 90, 92 and 93 - should give line number for source of numbers
 - J. Line 96 - should show whether there is a value on this line and if so, the source of the number;
 - K. Lines 97 through 102 - should provide the line reference for inputs;
 - L. Lines 103 & 104 - should explain and define calculation;
 - M. Lines 107, 109, 111 - should provide line reference for inputs;
 - N. Lines 108, 113 - should provide line number source of inputs and any calculations (spreadsheet definitions) used in determining the amounts included on these lines.
25. The Commission hereby approves the Companies' proposed customer bill format as set forth in Exhibit H submitted at hearing.
26. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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